Ontario

Ministry of
Transportation and
Communications

THE CASE
FOR
CANADIAN DISTANT SIGNALS

OCTOBER 1984

INTRODUCTION

In its submissions to the CRTC's specialty service hearing and the CRTC's request for comments on "distant Canadian signals", Ontario recommended that the CRTC authorize the introduction of Canadian distant signals ("superstations").

This recommendation was predicated on the following benefits:

- Increased choice for viewers, including more Canadian choice.
- Canadian broadcasters would be able to compete with U.S. superstations.
- French-language and multilingual services across Canada would be increased via superstations.

In addition, Ontario believes Canadian superstations can be an attractive feature of tiered services. They offer viewers programming that has proven its appeal in competitive markets, and are financially viable services at a time when many cable originated services are struggling with format changes and facing large financial losses.

For Canadian broadcasters, superstations offer economic benefits to the extent that they repatriate viewers from U.S. stations. It should be also stressed that commercial restrictions on program substitution would negate the incentives for national distribution since broadcasters will require national advertising to offset the costs of satellite distribution and acquisition of national programming rights.

In most cases, satellite distribution because of its distance insensitivity is the most appropriate form of distribution for superstations but the choice of distribution means for distant signals is an economic consideration and best left to service providers.

Ontario believes Canadian superstations should be carried on cable basic or converter basic subject only to channel availability and existing channel priorities. In any event, consumers should not be required to pay more for services they already receive.

Part I of this paper examines the possible impact of potential Canadian superstations and assesses the increased programming choice they offer in selected Canadian television markets.

In Part II of the paper, the historical performance of Canadian television stations is examined when new services have been introduced. Conclusions from a recent CRTC study (The Impact of Increased Competition) are presented and seem consistent with MTC's analysis.

PART I - THE IMPACT OF CANADIAN SUPERSTATIONS

The assessment of the potential impact of Canadian superstations involves the measurement of the additional programming hours that superstations offer viewers in selected Canadian markets. This measurement includes both the total hours of new programming in each market and the total hours of additional Canadian programming.

A few specific programs that would become available in the various markets are highlighted and the potential of superstations to repatriate viewers from U.S. stations is quantified. This repatriation would enhance the revenues of Canadian broadcasters.

For the analysis, three independent Canadian stations were selected as potential superstations. These were CHCH-TV, Hamilton; CITY-TV, Toronto; and CKVU-TV in Vancouver. Their program schedules in March, 1984, were compared with the programming available both off-air and on cable in Saskatoon, Kingston and Sault Ste. Marie.

I SASKATOON MARKET

	Potential Superstation	Hours of Additional Programming	Hours of Additional Canadian Programming
	CITY	106 hrs.	63 hrs.
	CHCH	90 hrs.	54 hrs.
	CKVU	106 hrs.	64 hrs.
Weekly Total		302 hrs.	181 hrs.

In addition, 59 hours of the superstations' schedule is carried on U.S. stations in the Saskatoon market and the associated audiences could be repatriated to the Canadian broadcasting system if superstations were introduced.

Examples of additional programming received include "60 Minutes", "Knots Landing", "The Young & the Restless" from the U.S. and Canadian programs such as "Maple Leaf Hockey", "SCTV" and "Big League Soccer".

II KINGSTON MARKET

Potential Superstation	Hours of Additional Programming	Hours of Additional Canadian Programming
CITY	94 hrs.	56 hrs.
CHCH	61 hrs.	37 hrs.
CKVU	61 hrs.	38 hrs.
Weekly Total	216 hrs.	131 hrs.

Potential Repatriation from U.S. Stations 79 3/4 hrs.

Examples of additional programming received include "Cagney and Lacey", "Quincy", "Wild Kingdom" from the U.S. and Canadian programs such as "Maple Leaf Hockey" and "SCTV".

III SAULT STE. MARIE MARKET

Potential Superstation	Hours of Additional Programming	Hours of Additional Canadian Programming
CITY	86 hrs.	56 hrs.
CHCH	68 hrs.	40 hrs.
CKVU	63 hrs.	38 hrs.
Weekly Total	217 hrs.	129 hrs.

Potential Repatriation from U.S. Stations 137 hrs.

Examples of additional programming received include "Entertainment Tonight", "Cagney and Lacey", "Quincy", from the U.S. and Canadian programs such as "Maple Leaf Hockey" and "SCTV".

In each of the markets examined, there is a significant increase in both hours of additional programming and hours of additional Canadian programming. Superstations also provide an economic benefit for the Canadian broadcasting system by repatriating viewers from U.S. stations in each market.

The communities studied are typical small markets with cable service and a limited range of Canadian services. The potential for increased viewer choice would be even greater in the case of a French language or multilingual superstation.

Many communities with large ethnic populations have little or no multilingual television service. For example, 19% of the population in Thunder Bay is of ethnic origin. Obviously the Toronto multilingual station would find a receptive audience for its distinctive programming in such a community.

PART II - THE IMPACT OF DISTANT SIGNALS ON LOCAL BROADCASTERS

The private broadcasting system has long been concerned with the fragmentation effects of additional services in their local markets. In this portion of the paper, the relative market share of private local stations is examined in several Ontario markets where new services have been introduced. In addition, material from the CRTC's research report "The Impact of Increased Competition, 1972-82" is summarized.

The Ontario markets examined were Kitchener, London, Kingston, Ottawa and Peterborough. The audience in November, 1976 is compared to the audience share in November 1983, and the number of television services both American and Canadian are listed.

		November 1976 Audience Share	November 1983 Audience Share
I.	**Kitchener Market**		
	Local Station Share (CTV)	22%	23%
	Number of Stations in the market	6 Canadian 3 American	10 Canadian 8 American
II.	**London Market**		
	Local Station Share (CBC affiliate)	27%	26%
	Number of Stations in the Market	4 Canadian 6 American	6 Canadian 8 American
III.	**Kingston Market**		
	Local Station Share (CBC affiliate)	22%	19%
	Number of Stations in the Market	4 Canadian 4 American	5 Canadian 8 American
IV.	**Ottawa Market**		
	Local Station Share (CTV)	31%	31%
	Number of Stations in the Market	7 Canadian 2 American	8 Canadian 4 American
V.	**Peterborough Market**		
	Local Station Share (CBC affiliate)	25%	19%
	Number of Stations in the Market	5 Canadian 4 American	9 Canadian 5 American

In all of the markets examined the CTV affiliates have retained or increased their share of audience despite the increase in the number of stations in the market.

The CBC affiliates have, however, lost audience share in all the markets examined. The loss in audience for the CBC affiliates may be due more to programming changes (e.g. shifting the National News to prime time) than the increased competition.

Fragmentation anticipated by the introduction of Canadian distant signals in local markets would not be as severe as changes which occurred from 1976 to 1983. Further this analysis suggests that local stations can adapt successfully to increased competition while the public benefits from increased choice of programming.

The findings of the MTC research seem to be confirmed by independent analysis carried out by the CRTC. In the CRTC research study, 11 television markets were examined from 1972-82, when a number of cable services and new off-air services were licensed. In addition, industry-wide trends were examined for the same period.

Some conclusions of the CRTC study were:

- Competition has not hurt the private television industry. Although private broadcasters, particularly the CBC-affiliated stations, experienced significant audience fragmentation and loss of viewing shares, total revenues of private broadcasters increased substantially from 1972 to 1982.

- The introduction of new Canadian stations had less impact, relative to additional U.S. signals, on viewing shares to individual stations. Indeed, the importation of a distant Canadian signal or the licensing of a new service had the positive effect of increasing the overall Canadian share of the viewing market, at the expense of U.S. stations.

- Local broadcasters responded to increased competition by increasing their advertising rates. Higher prices did not deter multi-national and national advertisers, since Canadian television broadcasters were able to deliver sufficiently large audiences to satisfy advertisers. At the same time, the availability of the popular U.S. stations in Canadian markets did not reduce the attractiveness of Canadian broadcasters to national advertisers.

CONCLUSION

The analysis in Parts I and II of this report provides additional support for Ontario's recommendation that:

CANADIAN SUPERSTATIONS BE PERMITTED BY THE CRTC.